

## **NOTE 20 – FUND DEFICITS**

### **A. Primary Government**

#### **Governmental Funds**

The Advance Financing Funds, a capital projects fund, had a fund balance deficit of \$24.1 million. The deficit was caused by expenditures for projects for which bonds have not yet been issued and for expenditures incurred to improve State-owned sites that have not been sold.

The State Building Authority, a capital projects fund, had a fund balance deficit of \$327.5 million. The deficit resulted because the issuance of commercial paper represents a fund liability and the corresponding construction projects are not reported as assets in the fund.

#### **Proprietary Funds**

The Information Technology Fund, an internal service fund, had a fund balance deficit of \$.2 million. The deficit resulted because rates charged were insufficient to cover expenses incurred.

The Office Services Revolving Fund, an internal service fund, had a fund balance deficit of \$4.6 million. The deficit resulted because rates charged were insufficient to cover expenses incurred. The rates were increased in fiscal year 2006 to eliminate the deficit.

### **B. Discretely Presented Component Units**

All discretely presented component units have positive net asset balances as of September 30, 2005, with the exception of the Michigan Education Trust (MET) and Michigan Broadband Development Authority (MBDA). MET's fund deficit of \$17.9 million was caused by interest earnings in the last year that were less than expected, and tuition and fee increases in the last year that were greater than expected. MBDA's fund deficit of \$14.5 million was caused by expenses for projects for which not all corresponding revenue was received.